



MEETING DATE: 1/17/2006

ITEM NO. 6

COUNCIL AGENDA REPORT

DATE: JANUARY 17, 2006
TO: MAYOR AND TOWN COUNCIL
FROM: DEBRA J. FIGONE, TOWN MANAGER
SUBJECT: PROPOSED FINANCIAL/HUMAN RESOURCES INFORMATION SYSTEM UPGRADE

- A. AUTHORIZE TOWN MANAGER TO NEGOTIATION AND ENTER INTO AN AGREEMENT WITH SUNGARD PENTAMATION TO UPGRADE THE TOWN'S FINANCIAL/HUMAN RESOURCES INFORMATION SYSTEM
B. AUTHORIZE BUDGET ADJUSTMENT FOR THE SUNGARD PENTAMATION UPGRADE PROJECT IN THE AMOUNT OF \$400,000 FROM AVAILABLE SET ASIDE FUNDS IN THE TOWN'S MANAGEMENT INFORMATION SYSTEMS (MIS) SERVICES FUND.

RECOMMENDATION:

It is recommended that the Council:

- 1. Authorize the Town Manager to negotiate and enter into an agreement with SunGard Pentamation to upgrade the Town's existing financial/human resources information system.
2. Authorize a budget adjustment for the SunGard Pentamation upgrade project in the amount of \$400,000 from available set aside funds in the Town's Management Information Systems (MIS) Services Fund.

PURPOSE:

The purpose of this memorandum is to provide the Council an overview of the Town's current financial/human resources system and recommended plan of action as it relates to the purchase and implementation of a systems upgrade.

PREPARED BY: STEPHEN CONWAY
Finance and Administrative Services Director

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Reviewed by: Assistant Town Manager, Town Attorney, Clerk Administrator, Finance, Community Development
Revised: 1/12/06 5:06 pm

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BACKGROUND:

For the past 15 years, the Town has managed its financial/human resource systems information through "Pentamation," a software program that relies on antiquated computer programming, which is nearly obsolete. Due to its extremely dated and inefficient database structure, the Town continues to face maintenance and basic business reporting challenges.

While the system has been used reliably since 1991, it is becoming increasingly difficult to generate key reports that track and reflect financial and labor, and personnel trends to understand service delivery needs. The system's inflexibility and age makes nearly impossible to provide future online and e-government services to customers. Another challenge is that the Town currently relies on one small business for maintenance and support. Relying on this vendor, whose business continuity cannot be depended upon for the long run, is a risk. A more pressing concern is that the Town's current software vendor intends to no longer support this system in the near future. Limitations such as these make it nearly impossible for the Town to keep pace with technology and meet the changing needs of the community.

Over the past several years, the Town has been budgeting for a systems upgrade in anticipation of a future replacement opportunity. In June 2003, the upgrade/replacement of the Town's financial and human resources systems software program was identified as a future priority need in the Information Technology Strategic Plan. Initial upgrade project costs reflected in the strategic plan were estimated to be between \$100,000 to \$600,000. Additional implementation costs ranged from \$10,000 to \$120,000 per year, during the implementation period.

Since then, staff has evaluated a variety of system upgrade opportunities and costs. Pentamation, the Town's current software vendor has developed a new, upgraded financial/human resources information system, SunGard "Pentamation Plus" and has offered the Town an advantageous pricing package.

The following section discusses upgrade and proposal considerations weighed by staff and its recommended approach.

DISCUSSION:

When considering the Town's financial/human resources systems needs, staff assessed the advantages and disadvantages of purchasing a completely new software system or upgrading its existing system through the Town's current vendor. Staff ultimately concluded that upgrading to Pentamation Plus would be the most appropriate approach based on four significant factors: flexibility, compatibility, ease of transition, and cost.

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Flexibility, Compatibility and Ease of Transition

Implementing a new or upgraded financial/human resources system is a significant and complex undertaking. Examples of key milestones include setup, configuration, installation, and testing of servers, software, and databases; design and development of the financial workflow processes; migration and manual input of existing and new data; and implementation of module and system testing and user training. A majority of these sample milestones requires intense technical and cross-departmental project coordination and new process and systems development.

Therefore, when determining the best software system for the Town's financial/human resources information, staff wanted to ensure that the system was flexible and adaptable to the changing technological needs of our customers and organization, and compatible with the Town's complex accounting system and payroll requirements. It was also important that the system could migrate information from the Town's existing database structure to a new or upgraded structure with ease and within a reasonable period of time, given the Town's limited capacity.

While a new system could demonstrate flexibility and various levels of compatibility, the new vendor's lack of knowledge about the Town's existing systems, processes, and functions would hinder its ability to help the Town to effectively transition from the current system to a new system, thus negatively impacting staff. Upgrading to Pentamation Plus would not only provide the flexibility required to meet changing organizational and community service needs, but would ensure a high level of compatibility and transitional ease given the vendor's intimate knowledge of the Town's financial/human resources reporting systems and needs. By using Pentamation Plus, many of the processes and terminology will be the same or very similar, decreasing the learning curve, training needs, and time it takes to implement the system.

In Fall 2005, Pentamation conducted multiple demonstrations of the upgraded software for staff's observation and assessment. The upgraded system featured a series of modules, including:

- e-Finance Plus, a financial and human resources module that manages day to day administrative and financial activities;
- e-Community Plus, a public services and community development module which automates business licensing permitting, and code compliance functions; and
- e-Gov Plus, when used in conjunction with e-Community Plus, a customer-driven module that allows web users to search for general account information, submit online applications and make online service requests and make payments.

Staff found the e-Finance application package the most appropriate for the Town and is strongly considering the implementation of all three modules for a "total systems solution." A full module implementation would ensure a more efficient interface of information and data integrity. It would also avoid potential disagreements between software vendors that would interface with the Town's financial/human resource system, if alternative providers were used to implement online services.

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Cost Considerations

Based on conservative estimates and surveys, staff anticipated that the initial cost of purchasing a completely new software system would be between \$350,000 to \$500,000, not including additional implementation and outside project coordination support. Pentamation, however, has offered the Town a significant discount if the Town is willing to commit to purchasing the new system in the near future. Pentamation has offered pricing of approximately \$200,000 to \$300,000 for the complete upgrade, which includes the full series of "e" modules as noted in the section above. This cost includes software, hardware, professional project implementation management and coordination, and training. All software licensing fees will be waived. After implementation, comprehensive technical and user support will be available via telephone and the web, eliminating the need to use a small business vendor for system maintenance purposes.

There is no charge for annual maintenance and technical support cost for the first year after product implementation. Estimated annual support costs for subsequent years range from \$16,000 - \$39,000, depending on the modules purchased. In FY 2004/05, the Town paid \$21,600 for software maintenance support. Staff conservatively estimates that if the Town purchases Pentamation Plus versus a completely new software system, the expected savings could be between \$100,000 to \$300,000. Because the Town already has an established relationship with the vendor and is currently using its software, the costs of upgrading to the latest version are much lower.

After surveying various agencies that have undertaken or are currently undertaking a financial/human resources information system upgrade or new installation, staff determined that additional project costs will likely include the need for additional in-house implementation costs (i.e. staff overtime) and specialized outside project coordination services, given the scope and complex and technical nature of the project. Government agencies that were surveyed by staff stressed the importance of obtaining external project management services. Agencies who retained outside coordination services reported that the time and effort required for implementation was greatly reduced. Staff recommends that approximately \$150,000 be allocated for outside project management services, additional in-house implementation costs, and other unforeseen expenses as needed.

On January 9, 2006, staff discussed the proposed financial/human resources system upgrade approach and related cost considerations with the Council Finance Committee. The Committee concurred with staff's recommendation to upgrade the Town's existing financial/human resources information system and explore the feasibility of implementing related e-government modules for future web based, online customer services.

CONCLUSION:

Given the estimated cost savings between \$100,000 to \$300,000 and system compatibility and implementation advantages, staff's proposed course of action is to upgrade the Town's financial and human resources software to the Pentamation Plus system. Therefore, staff recommends that

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Council authorize the Town Manager to negotiate and enter into an agreement with Sungard Pentamation and authorize a budget adjustment for the upgrade project in the amount of \$400,000 from available set aside funds in the Town's MIS Services Fund. Since Pentamation Plus is an upgrade of the Town's existing system, a sole source provider option is the recommended approach versus a full Request For Proposal (RFP). This course of action is preferred because of the highly specialized nature of the service, its compatibility with the Town's current system, and significant cost savings.

The agreement with Pentamation would cover the cost of the software and implementation services provided by the vendor and would not exceed \$250,000. Given the scope and complexity of this project, it is recommended that \$150,000 in funds be allocated for specialized project coordination/management, additional in-house implementation costs, and other unforeseen expenses, as noted earlier in this report.

Upon Council consideration and approval, the migration to the Pentamation Plus system would occur through a phased approach, beginning with an assessment of existing business and financial functions to determine the appropriate strategy and level of effort required to upgrade the Town's existing system, followed by the actual implementation of the e-Finance Plus module, which is expected to be completed within 12 months. If staff recommends the implementation of the remaining two e-modules, it is anticipated that the entire upgrade would be complete between 12-24 months.

FISCAL IMPACT:

In prior years, funding was set aside in the MIS Service Fund, an internal services fund to support a financial/human resources systems upgrade. This funding was acquired through annual management information systems department service charges designated for system upgrades and replacements. The identified available fund balance in the MIS Service Fund is more than adequate to cover the costs of a financial/human resources upgrade. Staff recommends that Council authorize a budget adjustment from the set aside funds in an amount not to exceed \$400,000.